

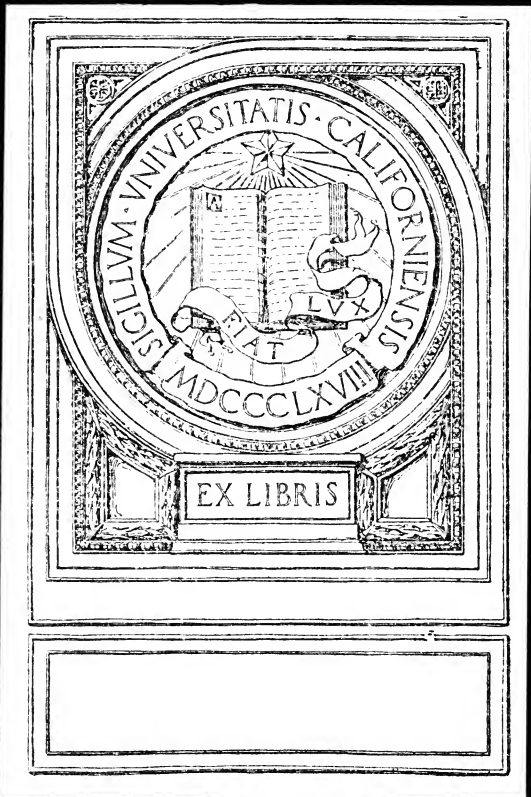
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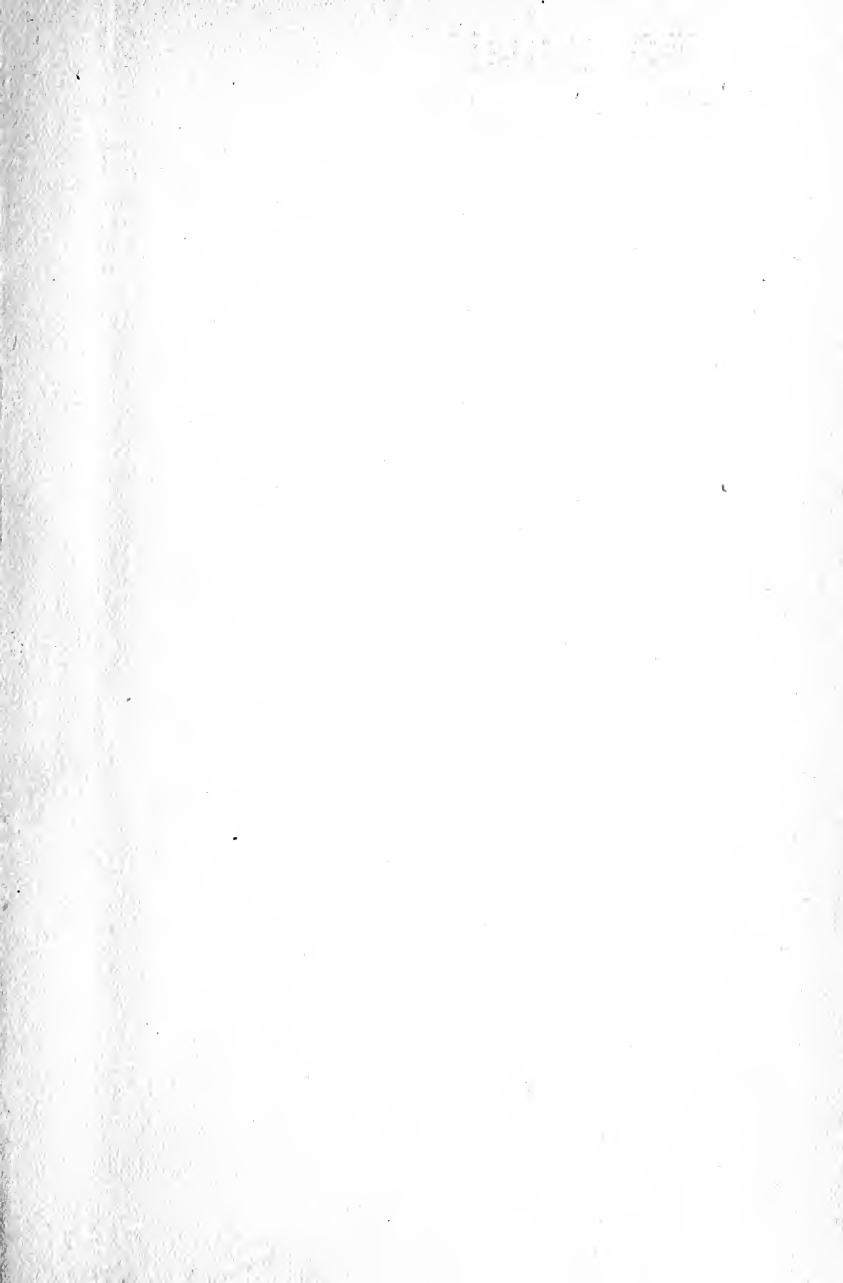
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*THE*  
***HISTORY & DEVELOPMENT***  
***OF PERSONAL ACCIDENT***  
*AND*  
***SICKNESS INSURANCE.***

*H. J. HASTINGS, F.C.I.I.*

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THE  
HISTORY AND DEVELOPMENT OF  
PERSONAL ACCIDENT AND  
SICKNESS INSURANCE.

BY  
H. J. HASTINGS,  
Fellow of the Chartered Insurance Institute.

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*Price 2s. 6d. ; post free 2s. 8d.*

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1922

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## INTRODUCTION.

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This subject has been so ably explained by so many more experienced writers than myself that the repetition of facts already known is likely to occur, but, should my efforts result in enlightening the reader on even a few points, I shall feel amply rewarded.

H. J. HASTINGS, F.C.I.I.

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## NATURE OF CONTRACT.

---

Most forms of insurance are an indemnity against definite loss, but Accident insurance is not one of indemnity, as the Company undertake to grant specified benefits upon the happening of a certain event, whereas, under a Fire or Burglary policy the Insured is only entitled to be indemnified in respect of the actual loss he has sustained.

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## HISTORY.

---

Guilds,  
10th  
Century.

Our present day system of insurance is, according to authorities traceable to the Guilds in existence about the 10th Century. The objects of these Guilds were very similar to those of our Insurance Companies, viz., to induce men to join together for protection—the weak and sick aided by the strong and the poor aided by the rich. There is recorded one of their old regulations which reads:—

“When any Member is about to go abroad, each of his fellow members shall contribute five pence, and if any member’s house is burnt, one penny.”

Benefit for  
Injuries in  
Battle.

In comparison with Marine and Fire Insurance, Accident Insurance came into existence at a much later period, although it is recorded that the Government of the United Netherlands by proclamation in 1665 assigned benefits for injuries received in battle, viz., £62 10s. 0d. for loss of both eyes or both arms, and £7 7s. 0d. for the loss of one foot. In this country Friendly Societies appear to be the first to have organised a system of Insurance.

Friendly  
Societies.

As early as 1773 a Bill was introduced into Parliament to enable artisans by small weekly payments to provide for themselves against sickness and old age. The Bill did

A

not pass both Houses of Parliament, but it was the commencement of what is now known as the Friendly Societies movement, several such Societies having been established between 1820 and 1846 to provide sick pay for limited periods.

1847.

This form of insurance was originally intended for the industrial classes, but the possibility of such a scheme for the benefit of the professional and mercantile classes soon became obvious. A Company known as the Professional Insurance Company was formed in 1847, but only carried on business until 1863. It is worthy of mention that the policy was worded to cover premature blindness, paralysis and various other afflictions. Another Company, formed in 1851 provided for compensation in the event of paralysis, blindness, and also other afflictions, bodily and mental.

Royal  
Charter,  
"Railway  
Passengers"

With the advent of the steam railways and consequent expansion of the railway systems, and as a result of many serious accidents which followed, a new form of insurance to cover Railway Accidents was created; one of the pioneer Companies, viz., "The Railway Passengers Assurance Company," was registered in 1848, obtaining a Royal Charter in 1849, and is still among the leading Accident Companies of the present day. The old "Accident Company" was also registered about a year later, but this Company is now merged into the "Commercial Union Assurance Company." In 1856 the "Norwich & London" was established, since merged into the "Norwich Union Fire Office." Following these came the "London Guarantee & Accident" in 1869 and the "Ocean" in 1871.

Reference has only been made to these few Companies, as they would appear to be the only ones that were able to come through the pioneer stage. Many others were formed but to exist for a few years.

In the early days "Accident" business was not considered of much importance in the Insurance world, but from 1880 onwards the number of Companies continued to increase, until at the present time we have more than 100 writing Accident business.

## STATISTICS.

Figures as a general rule are apt to be dry and wearisome, but the following Table has been prepared showing the recorded accidents for a few of our largest towns, in the hope that it will be interesting.

RETURN SHOWING THE NUMBER OF STREET ACCIDENTS  
RESULTING IN DEATH OR PERSONAL INJURY  
CAUSED BY VEHICLES.

Area.	1911			1916.			1921.		
	Fatal.	Non-Fatal.	Total.	Fatal.	Non-Fatal.	Total.	Fatal.	Non-Fatal.	Total.
Metropolitan Police Dist. ..	385	13,847	14,243	830	21,928	22,758	571	22,647	23,218
City of London ...	25	1,406	1,430	15	933	948	10	706	716
Birmingham ...	19	1,024	1,043	67	1,440	1,507	57	1,302	1,359
Liverpool ...	22	1,533	1,555	49	2,149	2,198	49	2,056	2,105
Manchester ...	31	1,168	1,199	47	902	949	48	1,270	1,318
Edinburgh ...	16	533	549	18	1,026	1,044	35	1,097	1,132
Glasgow ...	23	662	685	49	1,080	1,129	66	1,043	1,109
Dublin ...	10	384	394	22	489	511	40	636	676
Grand Total for United Kingdom	1,557	33,653	35,210	2,837	51,441	54,274	2,845	61,272	64,117

It will be seen that there has been a general increase in the number of fatal accidents comparing the years 1911 and 1921, with one exception, viz., the City of London, where there is a decided reduction. This is probably accounted for by the improving traffic arrangements, for which our City Police Authorities are so well known.

**Fatal  
Accidents  
increasing.**

Another feature is the large increase in the number of fatal accidents. This is doubtless due to the fact that ten years ago the average street accident would have been caused by a light horse-drawn vehicle and the injury slight, whereas

more serious consequences follow an injury caused by the heavy motor transport on the road to-day.

Police Pre-  
cautions.  
War  
Period.

As the year 1916 came within the war period, a true comparison cannot be made, as the large number of accidents is in all probability accounted for by the police precautions which were taken in darkening the streets. This opinion is partly confirmed by the reduction which has taken place in certain towns comparing the years 1916 and 1921.

One would have thought that accidents would have been more frequent during the winter months owing to the longer periods of darkness, but the latest figures published for 1920 in respect of the Metropolitan area disprove this, as confirmed by the following figures.

NUMBER OF ACCIDENTS TO PERSONS OR PROPERTY REPORTED  
TO THE POLICE TO HAVE BEEN CAUSED BY VEHICLES  
OR HORSES IN THE STREET IN THE METROPOLITAN  
AREA.

*Year ending 31st December, 1920.*

	Number of persons killed.	Number of Accidents to persons or property.
March Quarter ... ..	177	11,926
June Quarter ... ..	166	13,149
September Quarter ...	171	13,057
December Quarter ...	143	11,692
	<hr/> 657 <hr/>	<hr/> 49,824* <hr/>

\* These figures include all classes of accidents and are not confined to personal injury, so that they cannot be compared to the previous table.

Train  
Accidents.

In these days when most policies grant double benefits in the event of death or injury resulting from an accident to a train, it is interesting to learn that during the year 1921 there were 899 accidents to trains resulting in 18 persons being killed and 589 injured. These figures are in respect of passengers only.



**Compulsory  
Notification  
of  
Diseases.**

Information on a limited scale has been obtainable with reference to certain specified diseases since the passing of an Act of Parliament in 1889 which provided for compulsory notification of scheduled infectious diseases. Under this Act the Authorities have power to include additional diseases from time to time, so that at the present time about twenty diseases are notifiable.

Doubtless most of us have been told at one time or another that the diseases covered by the average policy are usually those which a person is not likely to suffer from, but reference to the published reports will enable one to refute such a statement. Taking as an instance the year 1919, the following cases were notified in England and Wales :—

Diphtheria	...	...	53,918
Erysipelas	...	...	15,763
Pneumonia	...	...	45,260
Measles	...	...	269,111
Scarlet Fever	...	...	82,398

Even admitting that the last two mentioned are more prevalent with children, the figures are sufficiently high for serious consideration.

**Influenza  
Epidemic,  
1918.**

The Influenza epidemic of 1918 was also a most serious time for Insurance Companies. In England and Wales civil population alone the deaths were 112,329. The number of persons affected is not recorded, but an enquiry was held in Manchester, a selected area being taken, and it was found that 25 per cent of the population were attacked by the disease. It is also estimated that epidemic and infectious disease attack half a million people per annum.

**270,000  
Years lost  
per annum.**

Taking a broad view of the matter, not only are we concerned with the amount expended on sickness and disablement, but there is the serious loss of service to the community in the time which can never be regained and which, according to an authority on the subject, is estimated at not less than 270,000 years per annum in respect of persons insured under the National Health Insurance Act.

After considering these facts, it seems superfluous to emphasise the undoubted necessity of Insurance.

## NECESSITY OF CLASSIFICATION.

---

There was hardly any need to discriminate between different occupations in the early days, seeing that the policies covered railway accidents only, but with the extension to include all kinds of accidents as well as sickness a distinction had to be drawn, as in course of time the Companies were able to ascertain from their own experience how certain occupations resulted in more claims than others.

**First  
Classification,  
1857.**

The first attempt at classification is, as mentioned later, placed to the credit of the old "Norwich & London," about 1857. The occupations were classed under three headings: (1) Ordinary; (2) Hazardous; (3) Extra Hazardous; but subsequently an additional class was made for Medium occupations between 1 and 2. Even at the present time there is no fixed schedule of classification common to all Companies, as one Underwriter from his own experience might consider a certain occupation to warrant a higher rating than another, although, on comparisons, schedules will be found to very similar.

**Examples  
of Classi-  
fication.**

As the average prospectus contains a schedule of occupations, it is not necessary to detail them here, but only to give a few illustrations and to remark that it is now customary to have at least three distinct classes and sometimes even four. Under Class 1 would be included light risks, such as Professional Men, Commercial Travellers, Drapers, Merchants. Class 2, where the person's duties involve slightly more risk of accident, viz., Bakers (working), Builders (Master Supt.), Masseurs, Tailors (working). As in the case of the last two mentioned, not only have we to consider the extra risk resulting from the actual work, but the extent to which an injury would cause disablement. Even a very slight injury under these occupations might

result in the person being unable to follow his occupation, and for this reason such occupations are placed under a higher grade. Then we have Class 3, which includes such as Butchers, Carpenters, Engineers (mining), Veterinary Surgeons; and Class 4, which would include Joiners (using circular saw), Musical Hall Artists (engaged in acrobatic work), Pilots (sea-going).

In deciding the classification one cannot have too much information as to Proposer's duties in order to guard against a mis-description of occupation. Take as an illustration a Proposer described as a Gentleman, such a risk is a very unknown quantity, also an Actor might easily come under Class 1, or, on the other hand, if he is engaged in cinema stunt acting, he may be uninsurable at any rate.

Reduction  
of  
Occupation  
hazard.

In practice we are so concerned with what we consider to be the additional hazards of occupation that we possibly overlook the fact that certain occupations tend, if anything, to reduce the hazard below normal. That is, so far as illness is concerned, as according to expert opinion some trades are known to prevent certain diseases, whilst others may even cure them. Take, as an instance, tanneries and such a locality as Bermondsey; the district is particularly free from pulmonary complaints on account of the tanyards. Also sealing-wax factories are favoured in this respect, as persons suffering from anæmia, or even consumption in its early stages, are said to benefit from the fumes of the resin used in the manufacture. Again, even the influenza epidemic did not affect north country steel workers, known as "Puddlers"—these men working in great heat seemed to be immune. There are doubtless other occupations which have a beneficial effect upon their workers, but I do not suggest that these favourable features warrant a reduction in rating, and merely call attention to the facts as being of passing interest.

## PROPOSAL FORM.

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Value of  
Signed  
Proposal  
Form.

As explained under classification, more detailed information became necessary with the extension of the cover granted. An Underwriter would require little information in connection with a proposal for Railway Accidents only, whereas under an All Sickness and Accident contract detailed particulars are essential. The questions in the present-day forms may be unduly numerous to a Proposer, but it must not be overlooked that, in the absence of medical examination, the replies are the only means of estimating the risk. The questions should be so framed as to bring out—profession or occupation—previous history of any accidents or illnesses—whether applicant has any physical defects or is subject to fits—if he engages in hazardous recreation—age—height and weight. In addition, it is essential to know—if previously insured and whether any proposal has been declined or withdrawn—particulars of any claims and if any Company has refused to continue the policy—also, if still insured, whether policy is to be continued.

Basis of  
Contract.

The form should always be signed by the Proposer, as the declaration at the foot is a warranty as to the truthfulness of the statement. Further, the information contained therein is the basis of the contract between the parties. Frequently one is asked to accept a proposal signed by an agent, but this should not be agreed to, as, under a legal decision some short time ago, it was laid down that even where an agent is made the agent of an applicant for the purpose of filling in a proposal, this will not bind the insured to what the agent puts down.

## FORMS OF POLICY.

---

### OLD AND NEW.

Earliest  
Form of  
Cover.

It is recorded that the early policies covered fatal railway accidents only and for a few pence cover could be obtained for a single journey, double rates being charged for a return or double journey. Out of this developed an insurance against non-fatal injuries, but the most interesting feature is the wording of the contract which provided for :—

“Immediate pecuniary assistance,” and

“Liberal and immediate compensation.”

Settlement  
by  
Arbitration.

Settlements were usually left in the hands of the Companies' Medical Officer, who was rushed off to the scene of the accident and provided with money to make advances to any of the insured who required such assistance and to provide for the comfort of sufferers. When the extent of the injuries was ascertained, terms were offered by the Company as were considered fair and liberal within the limits of the policy. In the event of an Insured not being satisfied the matter went to arbitration, the Insured appointing one arbiter and the Company another. The policies do not appear to have contained an Arbitration Clause, but this satisfactory manner of arranging settlements was undoubtedly the forerunner of the clause being inserted in later day policies.

The next development took place in 1850, when the cover was extended to periods of one, three, six, nine, and twelve months to railway accidents in the United Kingdom and also on the Continent of Europe.

**"Railway  
Passen-  
gers."**

In these early days the "Railway Passengers" appear to have been the originators of many different forms of policy and for a great deal of the information we are indebted to the late Mr. Alfred Foot, connected with that Company.

**1852 First  
Non-Fatal  
Policy.**

In 1852 the "Railway Passengers" obtained further powers to insure against accidental death from any cause, also non-fatal injuries and, at that time, they were prepared to grant cover for £1,000 death with compensation for personal injury, for a period of five years by a single premium of £3 10s. 0d., and ten years for a single premium of £6 0s. 0d. We are not told if this form of policy was profitable to the Company, but it is not now the practise to accept single premiums, or grant insurance for more than a year, except in the case of permanent contract policies.

In the course of time the old system of granting "reasonable and liberal compensation" became unworkable, so that in 1864 this benefit was fixed as being £6 per week for each £1,000 death benefit, and proportionately for smaller sums.

**Partial  
disablement  
about 1864.**

About the same period it was decided to include a benefit during partial disablement, as difficulty was experienced in dealing with claims where the injury did not result in total disablement. An extra premium was charged of 2s. per cent., which made the premium £4 0s. 0d. for the full cover of £1,000 fatal and proportionate benefits. It is most interesting to note that this form of policy varied in detail can still be obtained today on the same terms, and that also most of our present day comprehensive policies are based on what is usually described as the "Old Four Pound Policy." If, as we are given to understand, the calculation of premiums was more a matter of guesswork than scientific rating, time has shown that the methods adopted were particularly accurate.

**"Old Four  
Pound  
Policy."**

**First  
Bonus  
Allowance.**

After a few years' experience, classification of occupations became necessary and the old "Norwich and London" are credited with having taken the first step in the matter about 1857. This system of classification was evidently a success, as in 1869 we are given to understand that one or

two Companies felt that the Insured should share in the profits and a Bonus was allowed in the form of a 10 per cent. reduction off the renewal premium for those who had been insured for five years.

**Permanent  
Contract  
Sickness  
Policy**

The next important extension was the inclusion of the Permanent Total and Permanent Partial Disablement benefits which are now usually described as Loss of Eyes and Limbs. This took place in 1881, and is placed to the credit of two Scottish Companies. Following close upon this, viz., in 1885, came the first All Sickness and Accident policy issued by the Sickness and Accident Assurance Association (now known as the "Century"). Not only was it the first "All Sickness" contract, but it was a new departure, in that it was of a permanent nature, the Company only having power to terminate in the event of fraud or non-payment of the premium.

**Double  
compensa-  
tion  
railway  
accidents.**

The inclusion of four specified diseases under the annual contract policies was next introduced by the "Law Accident" in 1893. In addition to the diseases, the policy provided for double compensation in the event of a railway accident, the extra premium being 2s. per cent. on the sum insured. The advisability of granting this double benefit has been questioned by other writers and their views are certainly interesting. As mentioned under another heading, prior to 1908 any compensation received under an insurance policy for accidental death was deducted in assessing damages against a third party (with the exception of one or two Companies, who had obtained special privileges for their policyholders, viz., the "Railway Passengers," "Ocean," and "General Accident"). This may have had something to do with the benefit being doubled, but, doubtless, competition also had a bearing on the point. However, the practice has its disadvantages, as it might easily arise that a claimant injured in a railway accident would be receiving much more than his average earnings, as the normal benefits only are taken into consideration when fixing the maximum sum insured to be allowed, and, as we have all been taught, it is absolutely contrary to the principles of insurance for a claimant to be in a position to receive more than his loss.

It has also been suggested that the circumstances might be more reasonably met by halving the normal benefits, as it is more than probable that negligence could be brought home to the Railway Company, and damages recoverable in addition to the policy benefit.

Present-day  
benefits.

During later years, the benefits have been added to from time to time in order to meet competition and make policies more attractive, until, at the present day, policies grant the most comprehensive cover, viz., Capital Sums in the event of death, or loss of limbs, Annuities in the event of blindness, paralysis or deafness; and weekly benefit for temporary total disablement by sickness or accident, temporary partial, accidents only, with double benefits for accidents due to trains, trams, etc. Then there are the cumulative bonus additions to capital sums and bonus reductions off renewal premiums; surely the millenium has been reached.

Accident  
Aircraft  
risks.

One of the most important developments in the "Accident" world during the War was the issuing of Accident Aircraft policies. Certain of the younger Tariff Companies took the lead and did not wait for concerted action by the whole of the Offices. In fact, it is no secret that some of the older Members were against granting such cover, considering it too speculative, although practically all the Tariff Companies came into a pooling scheme later. However, the few that did cater for the business from the outset made handsome profits.

Collective  
Policies.

In the early stages for an annual premium of £1 0s. 0d., the benefits were £1,000 fatal, proportionate loss of limbs and £5 per week temporary total disablement. The premium was, later on, increased to £1 5s. 0d. per £1,000 and to include the bombardment risk an additional 5s. was charged. (One Company even went to the length of granting a policy for the duration of the War, the single premium being approximately double the annual premium.) Following one of the serious daylight raids the rates were ultimately increased to £2 per £1,000. The scheme was so attractive to the general public that after certain air raids on the Metropolis, people were waiting in a queue at one of the Offices to obtain cover. (This is no exaggeration, but an absolute



fact.) Employers also took out Collective policies to cover the whole of their staff, as it was doubtful whether liability existed under the Workmens' Compensation Act. The rates were charged on the total wages and salaries but varied according to the area, as certain areas were considered more hazardous than others, the benefits being :—Death and loss of two limbs, three years wages ; Loss of one limb or eye, one and a half years' wages ; T.T.D., half wages for fifty-two weeks.

Aviation  
passengers  
and  
pilots.

The progress of aviation is such that we are now concerned with civilian flying and, apart from insuring the craft itself, there is the accident risk to pilots and passengers to be considered. Quite naturally, the Companies are very cautious in quoting rates in view of the fact that they have had such a short experience to act upon. However, firm rates are now quoted for passengers, and to cover fatal accidents, loss of limbs and a small weekly benefit ; 6d. per cent. is charged for short flights and for longer flights 1s. per cent. for the first one hundred miles and an additional 6d. for each subsequent one hundred miles. The pilot risk is subject to special rating, as no two risks are the same. It is essential to know the pilot's experience in flying, type of machine flown, history as to accidents, class of flying to be undertaken, whether passenger carrying, testing machines or instructing, also if flying over recognised air routes. Obviously, there are many factors to be considered, but the Companies have the advice of a practical expert to assist them, and it is hoped that the business will ultimately be placed on a profit earning basis, although, as with other classes of Insurance in the experimental stages, experience has to be bought.

Examples  
of present-  
day  
policies.

Having dealt with the old policies which undoubtedly provided what are still the main features of our present-day policies, we now turn to the latter. As it is almost impossible to detail the numerous forms issued by all the Companies, I have taken one Company which has a most varied selection. Some of these policies are so well known that they do not call for special comment, but certain items are referred to

in more detail later. Among the well-known policies we have :—

	PREMIUM.
1. Fatal Accidents only - - - -	£1 0 0%o
2. Fatal Accident and loss of limbs -	£1 15 0%o
3. Railway Accidents only—£1,000 death.	£1 0 0
£6 p.w.T.T.D.	
£2 p.w.T.P.D.	
4. All Accidents—£1,000 fatal and proportionate loss of limbs.	£4 0 0
T.T.D. and T.P.D. as above.	

(Note.—This particular Company has for some time past increased the temporary partial disablement benefit from £1 10s. to £2 per week.)

5. Similar benefits as under No. 4, but £2,000 in the event of loss of limbs or eyes and £1,000 one limb or eye - - £4 10 0
6. As under No. 4, with an annuity of £60 for ten years in the event of blindness, paralysis, deafness, and £60 per annum P.T.D. other than loss of limbs; also T.T.D. £6 per week due to any of the scheduled diseases - - - -

(Note.—Some Companies now grant as many as fifty diseases.)

Double benefit for death, or injury resulting from accident to train, tram, omnibus, or other licensed vehicle, passenger lift, or whilst in a burning building. Capital sums increased by 5% per annum after payment of first premium, but not exceeding 50% of the original sum insured - - - -

£6 0 0

Policies can be extended to cover medical expenses limited to £6 for every £1 per week insured for an additional premium of 10%.

7. Similar benefits to No. 6, but T.T.D. due to disease being replaced by disablement from any form of sickness - - £12 0 0

**Bonuses.**

Under any of these tables the following additional bonuses are allowed :—(a) Total Abstainer, 10 per cent. ; (b) If Life policyholder of the Company, 10 per cent. ; (c) After one year's renewal, 5 per cent. ; two years, 7½ per cent. ; three years, 10 per cent. ; maximum allowance under two headings, 15 per cent. These bonus allowances have been criticised from time to time, but the practice is now common to practically all Companies. The original idea was probably to avoid policies being transferred, but this object has not been attained, as most Companies are willing to accept transfers without loss of bonus to the Insured, and also add the automatic increase of the capital sums.

8. *Travellers Accident Policy.* The title of the policy is an indication of the risks covered. All accidents by land or sea are included and the insurance extends to temporary residence in the United States, Canada and Europe, the benefits being £1,000 fatal and proportionate for loss of limbs. Total disablement £1 per day at an approximate premium of £1 5s. for one month, increasing according to period.

**Schedule  
benefits for  
specified  
injuries**

When a claim arises outside the United Kingdom difficulty is frequently experienced in obtaining satisfactory information as to the period of disablement, and to overcome this a schedule is attached to the policy showing the period of compensation allowed for specified injuries. This idea of specific compensation for certain injuries is not new, as it was adopted as far back as 1866, but fell into disuse after a short time.

**Female  
lives.**

9. *All Sickness and Accident—Female Lives.* This is a class of risk which Companies have not been

favourably disposed towards in the past, but in these days of keen competition new schemes have to be brought out, and these policies are again on the market after a lapse of some years. For obvious reasons a female life is not as good as a male life for Sickness Insurance and the rates are loaded accordingly; for £500 death, or loss of limbs, £250 one limb, £3 per week T.T.D., the approximate premium is £6.

Under the above Tables classification of occupation has been ignored, but is dealt with later.

There still remain certain risks having special features which can only be dealt with at some length, viz. :—

10. All Sickness and Accident—Permanent Contract.
11. Group Sickness and Accident.
12. Coupon Risks.
13. Freak Risks.

## SICKNESS AND ACCIDENT.

---

### PERMANENT CONTRACT.

First  
Policy,  
1885.

In the past this particular form of policy has not been given the prominence it deserves, seeing that it is the most valuable form of cover obtainable. The scheme was originated by the Sickness and Accident Assurance Association, Ltd., in 1885 (now known as the "Century"). The annual contract policy is probably satisfactory within its limited sphere, but it must not be overlooked that the Company has the right to cancel at any time, which right would undoubtedly be exercised in the event of unfavourable experience. This, unfortunately for the Insured, is not the end of his trouble, as, owing to his then physical condition, he might not be insurable on any terms, just when the cover is most needed. This, however, could not arise with a permanent contract, as it is very similar to a Life assurance, inasmuch as the Company are unable to cancel, with one or two exceptions, viz., in the event of fraud, or the Insured becoming dissolute or intemperate, or the non-payment of the premium.

1,000  
Week's  
benefit.

The selection is necessarily stringent, all lives being subject to medical examination. In no circumstances are the benefits continued after age 65 and with slightly under-average lives it is often stipulated that the policy shall cease at age 55 or 60, according to circumstances. The average healthy man is possibly inclined to ignore Sickness insurance, but it is interesting to note that, notwithstanding the stringent medical examination before a risk is accepted, many very serious and prolonged claims have to be met, and it is not uncommon for the period of incapacity to run into several hundred weeks. In fact, there are two claimants on the books of a certain Company to each of whom more than

B

1,000 weeks' benefit has been paid. Obviously an annual contract with its limited 26 or 52 weeks would have been of very little value in the circumstances.

Statistics  
of  
Experience.

This policy is treated on a much more scientific basis than is usually the case with what is generally termed "Accident business." Statistics have been kept for some years by leading Friendly Societies of the sickness experience amongst their members, so that when the Companies started writing the business they had to rely upon these figures, but sufficient time has now elapsed for the latter to have accumulated their own experience and it is the present practice to use the combined experience (at least, this is so with one of the leading Companies, as it was felt that the blending of the two would give a more exact basis, seeing that the Friendly Society figures would apply to the industrial classes, whereas the Companies' would apply principally to the professional classes). The latter figures, being confidential, cannot be disclosed, but the following table is based on many thousand of lives of one of the leading Friendly Societies.

Ages.	Rate of sickness per member per annum in weeks.	The number of members sick in a year amongst 100 members exposed to risk.	Average number of weeks of sickness claim to every member sick during a year.
20 to 24	.90	24.45	3.67
25 to 29	.95	23.49	4.07
30 to 34	1.06	23.62	4.51
35 to 39	1.27	24.08	5.25
40 to 44	1.58	25.48	6.22
45 to 49	1.99	27.06	7.34
50 to 54	2.75	29.51	9.31
55 to 59	4.02	33.70	11.94
60 to 64	6.31	39.81	15.84

It will be seen that the risk greatly increases with age. Taking ages 30—34 the number sick is 23.62 per cent., for which the duration of incapacity is 4.51 weeks, ages 50—54; 29.51 per cent. and 9.31 weeks incapacity; ages 60—64, 39.81 per cent. and 15.84 weeks.

**Reserve Fund.**

This serious factor has to be taken into consideration, as it is absolutely necessary that a reserve fund should be created to meet the claims in later years in the same way as reserves are made with Life Assurance.

**Defects in Assurance Companies' Act, 1909.**

Under the Assurance Companies Act of 1909, no provision appears to have been made for a reserve fund, as no distinction has been drawn between permanent contract sickness business and ordinary accident business. Any Company transacting the latter class is not bound to make the usual deposit, or to keep a separate account of such business, although in the interests of the policyholders such provision is of equal importance as with Life contracts.

**Surrender Value.**

There is a further similarity to Life assurance, as under certain tables a surrender value is allowed if no claims have been paid, although the method of calculating such surrender value is different. With a Life contract the value increases as the policy reaches maturity, but with sickness contracts it is greater up to about half-way through the term, after which it decreases owing to the larger reserves which have to be made to meet claims.

**Scientific rating.**

The above figures also prove the necessity of scientific rating, as it is distinctly shown that a man of 50 is a much worse risk than a man age 30, yet under the annual contract policy, the same rate of premium would be charged for both. Published statistics also show that the rate of sickness is increasing considerably.

**Alternative scales of benefit.**

Various forms of cover are obtainable. The early policies provided for :—

(A)

1.

6 weeks Full Pay  
6 weeks Half Pay  
14 weeks One Third Pay

2.

13 weeks Full Pay  
13 weeks Half Pay  
During remainder of disablement up to age 65  
—One third Pay

The premiums vary according to age and occupation. Temporary partial disablement by accident can be added for a slight additional premium.

(B)

The latest form of cover provides for a much longer period of disablement, the benefits being :—

3.

Full Pay for first six months

Half Pay during remainder of disablement up to age 65

4.

Full Pay for first six months

Two Thirds Pay for second six months

One Half Pay during remainder of disablement up to age 65

The rate of premium is naturally increased. Under Table A.—Scale 2, age 30, the rate is £1 17s. 4d. for each £1 insured, whereas Table B3 at the same age is £2 3s. 5d. per £1. Table B4, £2 6s. 8d. per £1.

(C)

Return of  
premiums  
paid.

Under another Table the ordinary Sickness and Accident benefit is granted with *return of all premiums* at a specified age without any reduction for claims paid during the currency of the policy.

(D)

Life,  
Sickness,  
and  
Accident.

An ordinary Endowment Assurance can also be included with the Sickness and Accident benefit, to terminate at any desired age or previous death, but not after age 65, the premium being the ordinary Endowment rate, plus the Sickness and Accident rate.



(E)

Permanent  
non-reduc-  
ing plan.

Another Table known as the Permanent Non-Reducible Plan provides for full benefit during the whole period of incapacity after the first three months or six months. This Table is most suitable for professional men whose income would probably be secured during a slight illness. The rate of premium is lower than the ordinary sickness risk under Tables A and B.

(F)

Reduced  
premium  
plan.

A most recent development is the Reduced Premium Plan. This principle of accepting reduced premiums during the first few years has been applied to Life Assurance, but one of the leading Companies has now adapted it to Permanent Sickness and Accident Insurance. The premiums are at reduced rates for the first seven years, during which the ordinary benefits are in operation. If the insurance is to be continued after the seven years the rate of premium is increased to the Insured's then age, but he has the advantage of not having to undergo a further medical examination and thereby avoiding the possible risk of being rated up or declined.

Surgical  
operations.

Under any of the above Tables, Surgeon's and Anæsthetists' fees incurred in connection with surgical operations can be added for an additional premium of £2 for each £100 to be insured.

Extension  
of Life  
policies.

A form of permanent sickness cover has been granted by certain Life Offices for some years past—an additional 5 per cent. on the Life premium, providing that in the event of the Assured becoming totally incapacitated from business through sickness or accident for a period of at least two months the Life premium ceases to be payable during the period of incapacity.

The average Insurer is not aware of the difference between the permanent and annual contracts and classifies all Sickness and Accident insurance as one, but when the advantages of the former are explained the decision is usually to take that form of policy. There is no doubt that

the insuring public need educating on this point and it is anticipated that even more attractive schemes will be devised by Companies in the near future in order to attract business.

**Female  
lives not  
accepted.**

These permanent policies are not granted on female lives. The scheme is more suitable for professional classes, although occupations involving additional risk are covered at slight additional premiums.

Partial disablement by sickness is not insurable upon any terms, as it is practically impossible to define such a risk. Under the early policies confinement to the house was a condition of disablement, but in practice this was found inadvisable, as a claimant's progress towards recovery from an illness might be retarded in some cases if this condition was enforced instead of the following the Doctor's advice to take a few weeks at the seaside. There is, of course, always the fear that the convalescence period may be prolonged at the Company's expense, so that this has to be watched very carefully: although the policy provides for benefit being payable during total and complete disablement and while the assured is unable to perform any part whatever of the duties of his own or any other occupation. Under the latest policies confinement to the house has been deleted.

**Maximum  
benefit  
£20 p.w.**

Cover is granted from £1 to £15 per week and in exceptional cases even as much as £20 per week is allowed (although under annual contracts benefit can be obtained up to even £50 per week). It is most essential that the sum insured shall be well within Proposer's income, otherwise there is no inducement towards early return to work if the income is practically the same as when he is engaged in his full normal duties.

Quite a number of Companies are now writing Permanent Contract business and the rates charged are very much the same, as there is practically no margin for rate-cutting if an adequate reserve fund is to be built up for the protection of the policyholders to meet the claims which will undoubtedly come along in later years.

American  
non-  
cancellable  
policies.

It is evident that our American cousins are becoming alive to the value of this form of cover, as according to "Insurance," New York, a scheme was recently submitted to the Bureau of Personal Accident and Health Underwriters covering the subject of non-cancellable insurance. A policy was formulated with standard rates and presented by a committee, but no definite action appears to have been taken, as the matter was deferred for further discussion.

Experience  
of  
American  
companies.

Since the above information appeared in the Press, there is a further notice to the effect that many Offices are taking up the business with great freedom, much to the surprise of one of the leading Companies, which commenced writing non-cancellable policies in 1919, as that Company had had a most unsatisfactory experience. The losses and expenses were 186% of the premiums earned during 1919 and 131% during 1920.

British  
companies.

This experience, however, differs from that of the leading British Companies writing business at home, but it certainly emphasises the fact that this particular form of insurance must be undertaken with extreme caution.

## GROUP—SICKNESS AND ACCIDENT.

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For some time past Life Companies have specialised in Group Insurance, but this development has now extended to Sickness and Accident cover.

Extent of  
benefits.

In fixing the benefit to be paid, regard must be had to the National Health Insurance Act and the Workmen's Compensation Act benefits, as employees would be entitled to either of these, according to whether it was disease or accident, in addition to the policy benefit.

It is customary to take series of ages, say, for a period of five years and, assuming the workers are all in one class, a block rate could be applied. Within the next period of five years the earnings possibly justify a higher weekly benefit, and thus the rate would be increased on account of the higher ages as well as the extra benefit.

Declaration  
of  
health.

A simple form of declaration of health and brief history from each employee would be necessary, but there is always difficulty in selection, although certain Companies are willing to dispense with the health declaration when the number of employees exceeds fifty.

Malingering.

As regards claims, in practice it is found that there is not the same spirit existing as between a Company and an Insured, as the benefit is usually paid to the Employers. Also there is the tendency to malingering on the part of the employee.

Another disadvantage of this Group Scheme is that the Insurance Company might easily be very badly hit in the event of an epidemic, as a large number of the lives would probably be in one area or, at any rate, working together.

Not a great deal of business is yet done under this scheme and it is doubtful if a large volume of business will result, as although there is a tendency towards a better understanding between Employer and Employed the higher cost of production will not allow additional expenditure in the matter of insurance premiums.

## COUPON INSURANCE.

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Original  
Coupon  
schemes.

This form of cover has been boomed during the past few years. Previously it was customary to grant cover for small Death benefit up to £1,000 in conjunction with weekly periodicals, magazines, diaries and also with the sale of certain articles, the benefits being payable in the event of railway, 'bus, and tram accidents only. We are now, however, concerned with a very much wider form of cover than was ever anticipated and a very interesting correspondence has been appearing in the Insurance Press recently on the advisability of these extended schemes. Varying opinions have been expressed, but the general tone is undoubtedly against the system.

Substantial  
premiums  
warranted

The Companies granting these coupon schemes doubtless anticipated making a profit out of the business, but under one newspaper scheme approximately £144,000 has been paid in claims during the first nine months of this year (1922). The possibility of any profit resulting is therefore very questionable, but it is obvious that a substantial premium is warranted. Further, not only must the actual claims paid be taken into account, but the organisation engaged in handling the claims is a considerable item of expense.

Advertise-  
ment  
value (?).

In addition to the premium, the Company has an extensive advertisement in the newspaper, but the value of such advertisement is questionable, as the newspapers themselves appear to take all the credit for settlements. There is also another most unsatisfactory feature from the Companies' point of view, as the newspapers undoubtedly welcome a continual flow of claims in order to advertise their scheme.

**Benefits.**

The wide scope of some of these schemes is, to say the least, alarming. One coupon grants as much as £7,000 in the event of fatal railway accidents to man and wife and £5 per week to each during temporary total disablement; also 'bus, tram, taxi, motor-coach and personal accidents in the street. As though these were not sufficient, accidents in the home are added. Under one scheme disablement due to certain specified diseases is included in addition to the accident benefits; and yet another scheme adds Fire Insurance for £250, Employers' Liability cover in respect of indoor domestic servants, damage to furniture due to Riots, etc., or Storm or Tempest.

**Limitations.**

This form of free cover is no doubt satisfactory so far as it goes, but, as we all know, there are numerous forms of accidents not covered. A close examination of the conditions also shows that there are many defects not apparent on the surface, viz., Travel Accidents benefit being limited to twelve weeks and Street Accidents to six weeks, the first week being excluded. Also with Home Accidents the limitations are the same as Street Accidents, but *total* disablement must result from a fracture to the skull or limb. Accidents of occupation are excluded. Under the Fire, Riot and Tempest sections the Insured has to bear the first £5 of any loss and all rights under existing policies must first be exhausted.

**Selection  
against  
Company.**

Another unfavourable feature is that the selection is against the Company on account of the moral and physical hazard, cover being granted indiscriminately and without question as to the earnings or physical condition, surely the two most important factors. Also numerous claims which are excluded by the conditions have to be declined, and although the claimant has no real cause for complaint an unsatisfactory impression is created of Insurance Companies as a whole, which undoubtedly tends to lower the status of the Insurance Profession.

**Interpreta-  
tion of  
conditions.**

In dealing with a first-class Company under a direct policy an Insured can always rely upon fair treatment and that a liberal interpretation will be placed upon the con-

ditions of the contract, but the same treatment is not received under these coupon schemes, and it is usually laid down that the decision of the Editor of the newspaper shall be final instead of disputes being referred to arbitration, as is the common practice.

Financial  
Standing—  
important  
factor.

The financial standing of certain of the Companies granting these extreme benefits must not be overlooked, as under the wide scope of the cover it is possible for them to sustain very serious losses. The public are not likely to pay for cover when they consider, rightly or wrongly, that they can obtain free insurance against practically the principal risks of everyday life. However, a claimant, having allowed his policy to lapse in favour of one of these free insurances, would find himself in a very false position if, owing to certain restrictions, the claim was not in order, or the Company failed financially, although it will probably take some time before the facts can be brought home to the insuring public.

Loss of  
premium  
income to  
Companies.

There is not much doubt that the Companies, as a general rule, are losing a certain amount of premium income on account of the coupon schemes, but it must be admitted that the schemes are drawing the attention of the public to the necessity of Personal Accident insurance and it can only be hoped that the outdoor officials will be able to take advantage of the fact.

It was felt that the limit had been reached in granting these extreme benefits when Fire and Workmen's Compensation risks were added, but one of our leading Companies has now become a party to a more extensive cover than ever, as in addition to the large benefits granted in respect of accidents to trains, licensed vehicles, street and home accidents, motor-cycle, bicycle and sports accidents; a fatal benefit to passengers whilst flying in an aeroplane is now added, also, whilst weekly benefits are payable during temporary total disablement, an additional £2 per week is allowed to cover rent.

Objects of  
Newspaper  
proprietors  
(?).

Competition is in the best interests of the profession, but is not the competitive stage passed when several of our leading Tariff Companies appear to be striving to outdo one

another in the extent of the benefits they are prepared to grant. Unfortunately, it appears that the Companies cannot come to any understanding between themselves as to the line of action to follow, but seeing it has been stated in one of the newspapers that the proprietors contemplate forming an Insurance Company of their own, this might be the best solution of the difficulty, and they would probably find that an Insurance Company could not be successfully run on Coupon business. The main object of these newspaper proprietors is to increase the circulation of their papers, and there does not appear to be any doubt that they are using the Insurance Companies to their own ends, in competition one with another. These newspaper proprietors are not philanthropists and the insured person has to pay indirectly for his limited insurance. On account of the increased circulation, higher charges are made to the advertiser in the newspaper, and the latter in turn passes these additional charges on the purchaser of his goods. Further, in pre-war days the cost of most of the newspapers was  $\frac{1}{2}$ d.: it is now 1d., but with the reduced cost of publication there is in all probability a margin of profit, which goes towards the cost of the insurance instead of reducing the cost of the newspaper to the public.

The latest scheme is the granting of a free insurance to any person buying a suit of clothes, so that unless some drastic steps are taken Personal Accident insurance will become ridiculous.

Possibility  
of a  
Tariff.

“Personal Accident” is one of the few classes of Insurance not subject to a tariff, but these extreme measures may be the means of a tariff being formed, as happened with “Workmen’s Compensation” after the severe losses sustained in the rate-cutting war which followed the passing of the 1897 Act.



## FREAK RISKS.

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Under this heading one would possibly include such risks as:—

1. That of a pianist, surgeon or artist, desiring to cover the loss of use of hands from any cause.
2. A singer, against loss of voice.

Difficulty of defining disablement. With almost all these risks the definition of disablement is the difficulty, as in each instance a very trivial injury, even a slight cut to the finger in the first three mentioned, or a cold in the case of a singer, would probably give rise to a claim.

Professional endorsement of increased rates. There are alternative methods of dealing with such cases, viz., by placing on the policy what is known as the professional endorsement which defines disablement as being such as would render the Insured unable to perform any part of his occupation had he been an ordinary business man, although this manner of limiting the risk has its disadvantages. Another alternative is adopted by certain Companies of charging substantially higher rates to meet the increased risk, at the same time restricting the cover to accidental injury causing loss of use of hands. A further method is the payment of a fixed capital sum in the event of physical separation by amputation of a finger or joint. This alternative would, of course, only apply to the risks referred to under paragraph 1.

There is, however, a limited market at Lloyd's for even the full cover, but, for the reasons already explained, very few Companies would entertain such risks.

Appendi-  
citis  
policy.

An indemnity to cover medical and surgical expenses incurred in having to undergo an operation has also been in demand for some years past and what is known as an "Appendicitis Policy" was issued. The results were not very favourable to at least one Company, as many claims had to be met. One interesting claim was that made by a lady. She was operated upon for alleged appendicitis. The surgeon found the appendix quite normal, but discovered some other diseased organs. He eventually removed both diseased organs and the appendix (possibly he was aware that his patient held an Appendicitis Policy). However, the Company came to a compromise in the settlement. Although it is customary to obtain a declaration that the proposer has not suffered from appendicitis, or has not any reason to believe that he is in any way predisposed towards it, the selection is always against the Company.

Loss of  
sight.

Another risk which came under my notice may be of interest. A special form of policy was granted to a man with one eye who wished to be indemnified in the event of his losing the sight of the remaining eye. Subject to satisfactory medical evidence, the Company granted cover in the form of an annuity payable up to a specified age. The payment of an annuity was preferred by the Company, as they would then be protected in the unlikely event of the sight being restored and they would also profit if the Insured died at an early age.

Doubtless there are many other forms of what might be termed freak insurance, but the foregoing are interesting illustrations.

## DEFINITIONS.

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In dealing with claims many questions arise as to the meaning of the term "Accident." Policies do not usually give a full definition of the term, but a safe guiding line can be taken by following the now famous definition laid down by Lord Macnaghten under the Workmen's Compensation Act, viz., "The expression 'accident' is used in the popular and ordinary sense of the word to denote an unlooked-for mishap, or an untoward event which is not expected or designed." There must be something fortuitous or unexpected.

*Permanent Total Disablement.* Total permanent and absolute disablement from attending to business of any and every kind, provided it shall have continued for twelve months.

*Temporary Total Disablement.* Total disability to attend to business of any and every kind for the time being.

*Temporary Partial Disablement.* Prevention from attending to some material portion of business or occupation.

## CONDITIONS.

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Necessary  
to appreciate  
risk.

To the average Insured policy conditions are superfluous and at times considered as having been inserted for the benefit of the Company only, whereas from experience we know how essential they are in order that the terms of the contract may be definitely laid down for the guidance of the Insured as well as the Company. It is preferable for all parties to the contract to appreciate from the outset the risks that are covered and those that are not. A policy without conditions is of little real value, as certain clauses owing to ambiguous wording could probably be interpreted in various ways to the Insured's disadvantage.

Fraudulent  
claims,  
1857.

When Accident insurance was in its infancy, about 1857, a bad time was experienced with fraudulent claims which resulted in the conditions being made more stringent and subsequent experience has also shown the necessity of even more conditions, although it is the present practice of most Companies to limit these as much as possible, expedient with safety, and to interpret them in a liberal manner.

It is not possible to deal with the many varied policies issued by the different Companies, and I have, therefore, selected a very old policy and a new one, the conditions of which have been recently revised and brought up to date. The least important conditions have been omitted from the following comparison.

OLD POLICY, 1865.

(1) *Change of occupation.*

If the Insured shall engage in any occupation under which greater risk may be incurred than contemplated when the policy is effected without giving notice to the Company, extra premium required, otherwise policy becomes void.

(2) *Misrepresentation or concealment.*

Proviso that declaration in proposal is true. If policy or renewal obtained through misrepresentation or concealment by or on behalf of Insured, or fraud in connection with claim, policy shall become void and premiums forfeited.

(3) *Cancellation.*

The Company at liberty to refuse to accept renewal premium at the expiration of any year.

(4) *Days of Grace.*

Fourteen days allowed for payment of renewal premium, thereafter policy lapses. During such fourteen days, Company liable in the same manner as if premium had been paid.

(5) *Risks excluded.*

Injury caused by or arising from natural diseases or by surgical operation. Death or injury caused by duelling, fighting, breach of the law, suicide—felonious or otherwise—war, in-

PRESENT POLICY.

(1)

The Insured shall give written notice of any change in occupation. In the event of him engaging in any occupation involving more risk of accident, the Company shall not be liable unless such notice has been given and additional premium paid.

(2)

Practically unaltered.

(3)

Practically unaltered, although it is common practice to provide for cancellation at any time during the year, subject to a return of premium representing the unexpired time.

(4)

Practically unaltered.

(5)

Injury or disability caused by or arising from, or attributable to suicide, poison self-administered, intemperance, immorality, war, invasion, popular riot, military or usurped power,

OLD POLICY, 1865 (*contd.*)

vasion or intoxication, or occasioned by the Insured travelling by rail in different carriage from those provided for the conveyance of passengers, or acting in violation of the Railway Company's bye-laws, riding races or steeplechases, or wilfully exposing himself to any unnecessary danger or peril.

(6) *Foreign travel.*

Limited to the Continent of Europe or the seas thereunto belonging, otherwise, without giving notice and paying such extra premium as may be required, policy absolutely void.

(7) *Other Insurances.*

Risk on any one life limited to £1,000 and no second assurance whether effected under a railway insurance or otherwise, shall hold good as to the surplus assured above £1,000.

(8) *Notice of Accident.*

In the event of injury notice to be given in writing to the Company within fourteen days of the occurrence—fatal accident within twenty-one days.

PRESENT POLICY (*contd.*).

aviation, insanity, or, unless specially allowed for, polo playing, motor-cycling, mountaineering, or playing professional football.

(6)

Accident benefits—policy holds good in any part of the civilised world, viz., United Kingdom, Canada, British Dominions beyond the seas, and any district of a British Consulate. Sickness and Disease benefits limited to the Continent of Europe, U.S.A. and Canada. Not valid beyond limits unless consent of Company previously obtained.

(7)

Policy void unless consent obtained in writing to additional insurance taken out subsequently and provided all existing insurances disclosed in proposal form. Railway insurance tickets, Newspaper and other coupons not taken into consideration.

(8)

Notice in writing to Head Office or Branch Office as soon as possible. No liability if not intimated within three months. In case of death, notice to be sent forthwith, and Company entitled to require *post mortem* examination if desired.

OLD POLICY, 1865 (*contd.*)

(9) *Right of access.*

No compensation allowed unless medical or other agent allowed to examine Insured when and so often as may be reasonably required.

(10) *Form of Discharge.*

Receipt of the Insured or personal representative an effectual discharge.

(11) *Arbitration.*

Any question as to liability referred to arbitration.

(12) *Notification of Illnesses.*

Not in use.

(13) *Observance of conditions.*

Not in use.

PRESENT POLICY (*contd.*).

(9)

Practically unaltered.

(10)

Any receipt or discharge by Insured deemed final and complete discharge in respect of all and every injury or contingency resulting to the Insured in consequence of such accident or disablement.

(11)

Any difference or dispute referred to arbitration within the meaning of the Arbitration Act, 1899; Arbitration (Scotland) Act, 1894, and expressly stipulated that the obtaining of any award by such arbiter shall be a condition precedent to enforcing liability.

(12)

Notice in writing to be given before renewal of policy of any sickness, disease or physical defect or infirmity of which Insured has become aware during the preceding period of insurance.

(13)

Each of the stipulations of the contract are conditions precedent to liability of the Company and shall be considered the essence of the contract.

Risks  
excluded.

It will be seen that the conditions have not altered to any great extent, but a general tightening up has been necessary as a result of valuable experience gained in the past. As an instance, under the risks excluded it was found advisable, after a few years and subsequent to 1865, to exclude accident or injury caused by or arising from weakness, or accident consequent upon disease, or whilst in a state of insanity, temporary or otherwise. These exclusions still appeared until quite recently, but they were considered to be too stringent and the Companies now rely upon the main wording of the policy, which provides that the disablement shall be caused solely and independently of any other cause.

Exposure  
to  
unnecessary  
danger.

Another proviso was that the Insured should not wilfully or wantonly expose himself to unnecessary danger. This has also disappeared, although an important case on the point was decided some few years ago in favour of the Insurance Company. The facts are, briefly, that the Insured was gathering orchids on the edge of a dangerous cliff. He fell from the cliff and was killed, and it was held by the Court that he had exposed himself to unnecessary danger.

At a later stage the conditions provided in the event of death for a *post mortem* examination.

The limit of £1,000 on any one life was also increased by an additional £1,000 in respect of railway accidents only under a journey insurance ticket or policy—ultimately increased to £2,000 and £12 p.w., or £3,000 and £18 p.w. if death or disablement caused by accident to railway train. These limits have now disappeared, the only stipulation being that the Company shall be notified and consent obtained to any additional insurance.

Notification  
of illness.

An absolutely new condition appeared a few years later which provided for the Company to be notified of any disease or physical defect occurring during the currency of the policy, as it was recognised that practically all lives deteriorated.



Special  
Conditions  
—Female  
Lives.

Under the All Sickness and Accident policies issued on female lives special conditions are necessary. It is customary to stipulate confinement to the house in the event of sickness and to exclude injury or disablement arising from or attributable to pregnancy or childbirth; upon marriage the policy automatically to cease.

Permanent  
Contract  
All Sickness  
and  
Accident.

The permanent contract all sickness and accident differs so much from the annual contract that special conditions have to be applied. The early policies stipulated confinement to the house, but this has since been waived. As regards foreign travel, the benefits being payable only whilst the Insured was within the United Kingdom and if he resided outside for more than three months the policy became void, although the insurance could be kept in force provided the consent of the Company was previously obtained and additional premium paid. Alternatively, the benefits were suspended during absence from the U.K., but could be reinstated subject to evidence of health. The new conditions allow residence on the Continent of Europe, Azores, Canaries, or Cape de Verde Islands, but if outside these limits for more than three months the policy becomes void unless consent previously obtained. Separate claims occurring during any period of twelve months construed as one claim, whereas under even later policies any disablement within six months of termination of previous claim considered a continuation of such previous disablement. The power to cancel remains practically unaltered, as the Company is only able to terminate the contract if the Insured becomes dissolute or intemperate, or in the event of fraud or non-payment of premium.

## CLAIMS.

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Arbitration  
clause.

There has been no legal decision having a far-reaching effect upon Accident Insurance for some years past. Accident business differs from Workmen's Compensation in this respect, as we all know how frequently the latter is being extended by new legal decisions to include accidents which greatly increase an Employer's responsibility and, therefore, a Company's liability under the policy. The fact that few personal accident claims now get into the Law Courts is no doubt on account of the Arbitration Clause appearing in most policies, thereby enabling differences to be settled without recourse to the law, and this in turn accounts for the absence of new decisions.

As illustrated by the table of street accidents previously referred to, the number of accidents occurring is greatly on the increase, the reasons being too obvious to require repetition.

Fatal  
Accidents  
Act, 1846.

Prior to 1846 no action at law was maintainable against a person who negligently might have caused the death of any person, but this was amended by the Fatal Accidents Act of 1846, which gave to a legal representative of a deceased the same rights as the injured party would have had if death had not ensued, but it was always essential that the relative claiming should have suffered actual pecuniary loss in consequence of the death.

Fatal  
Accident  
(Damages)  
Act, 1908.

For some years it was held at law that any monies recoverable under a policy of insurance could be set off against the damages awarded. This was obviously unjust, and the leading Insurance Companies took steps to have the

law altered, which resulted in the passing of the Fatal Accidents (Damages) Act, 1908, under which it was laid down that in assessing damages in any action the sum payable under any contract of assurance shall not be taken into account. The passing of the Act put all Insurance Companies on the same level, whereas previously the "Railway Passengers" had, by means of a private Bill in 1864, obtained a decided advantage for their policyholders, inasmuch as the Bill provided that persons receiving compensation from the Company were not debarred thereby from receiving full damages from the party causing the injury.

As stated under another heading, the average policy covers "bodily injury caused by accident," which is further qualified by a proviso that the bodily injury shall be caused directly and immediately by some "violent, accidental, external and visible means," and subject to certain exclusions, such as war, suicide, insanity, aviation and the like.

Legal  
decisions—  
drowning  
and fits

As an illustration, sunstroke has been held not to be an accident, as it is a known consequence of exposure to the heat of the sun and in no way to be classed with the unforeseen. Drowning accidents are also most difficult to deal with, partly due to the possibility of suicide. There is an old decision which has a bearing on this point, it having been held that the presumption will be in favour of an accident rather than intention if a person might have come to his death by accidental drowning or suicide. Another decision is that in the event of a man falling into the water in a fit he may be presumed to have come to his death by drowning and not by fits. Similarly, there is the case of a man siezed with a fit falling on to the railway line in front of a train. He was run over and killed, but it was held that being run over was the cause of death and not fits.

Poisoning.

Claims in respect of death from poisoning are fairly uncommon, although some years ago a claim was contested in the Courts. A policy had been issued which excluded

death by poisoning. The Insured drank, with fatal results, some poison in mistake for medicine which he was in the habit of taking. It was held that the accident came within the proviso of the policy and that the Insured's representatives were not entitled to recover.

Existing  
physical  
defence.

Where existing physical defects contribute to the death or incapacity, the difficulties are considerable and it is often necessary to refer to previous legal decisions having a bearing on the point.

Definite  
intention as  
distinct  
from  
accidents.

There is the recorded case of a man who, in attempting to turn a drunken man off his master's premises, strained his heart, which was already in a weak condition. The strain was followed by dilation, from which he died. The Judge, in his summing up, stated that there was nothing accidental in the pushing or pulling of the drunken man or the physical exertion of so doing. On the other hand, there was *definite intention* on the part of the deceased and the injury to the heart followed as a natural consequence, and he decided that it was not an injury caused by accidental means.

Chain of  
events.

Another instance is that of the man who scratched his leg with his thumb-nail; the wound inflamed and erysipelas set in. A few days later septicæmia set in, followed by septic pneumonia from which he died. Septic pneumonia was the cause of death, and the medical opinion was that it was consequent upon the wound and but for the wound he would not have had septic pneumonia. The different affectations were not intervening causes, but merely different stages in the septic condition, and it was decided that the death was directly and solely caused by the accidental injury to the leg.

Pneumonia  
following  
shock and  
exposure.

There is also the decided case of the man out hunting who fell from his horse into some water. There was no apparent injury, although he suffered from severe shock to the system. Following upon exposure in getting home in his wet clothes, and his reduced vitality, pneumonia set in from which he died. The case went to arbitration and the

decision was in favour of the claimants. This was upheld by the Judge on appeal, as it was held that there had been no *intervening cause*.

As a general rule, Companies are most liberal in their settlement with policyholders. A satisfied claimant is likely to be of more value than endless advertisement, whereas, on the contrary, a dissatisfied claimant can do untold harm, and, as competition is now so keen, a Company cannot afford to have the name for unjust treatment. If a policyholder meets with a genuine accident he is undoubtedly entitled to every consideration, but one occasionally comes into touch with the person who is never satisfied, also the bogus claimant. In such instances firm action has to be taken.

Advisability  
of special  
medical  
Treatment.

We are told that when Accident insurance was in its infancy it was the practice of the Company, upon receipt of notice of an accident, to rush their own Doctor off to the policyholder, in order that the claimant might receive proper medical attention and thereby reduce the probable cost of the claim. Possibly, in those days, efficient medical attention was difficult to obtain, but it is certainly a practice that might be revived with distinct advantage to the Companies. One frequently meets with disablement cases, particularly in connection with Workmen's Compensation risks, where the injured party would have benefited by proper medical attention at the outset. Further, with serious cases requiring special treatment, the Company will often at their own expense pay for such treatment, knowing that in the long run it will be to their financial advantage. Cannot the same principle be applied to Personal Accident risks and with the same advantage? It must not be overlooked that under the policy conditions most Companies reserve the right for their C.M.O. to examine the claimant at any time, but the damage may have been caused owing to incorrect treatment from the outset. There are certainly many facts to be considered, such as the expense involved and whether the saving effected would warrant such expense,

but the suggestion is made as being one of interest and possibly worthy of consideration.

**Medical  
expenses.**

The advisability of including under policies a payment in respect of medical expenses may be questioned. Although this extension of benefits has been made much of during the past few years, it is not new, as early accident policies did include such payment, but to the Companies' regret, as it transpired that the period of incapacity in respect of quite trivial accidents was often prolonged so long as the benefits for medical expenses had not been exhausted and whilst the shady medical practitioner still had some interest in keeping the claim alive. The period of incapacity usually terminated when the medical expenses benefit ceased. We can only hope that the practice will not be repeated.

**Moral  
Hazard.**

The moral hazard is one of the most important factors with which we are concerned, but although one does occasionally meet with the doubtful claimant, it is still fairly safe to follow the old maxim—"that every man is honest until he is proved to be a rogue."

**"Safety  
first."**

We have heard quite a lot recently of the "Safety First" methods which it is suggested should be adopted, more particularly in factories and works, with a view to reducing the number of accidents occurring, by more effectively guarding machinery, etc. The idea is not limited to factories and works, but how far it can be applied to improving Personal Accidents risks is yet to be proved. However, a step in the right direction has certainly been taken in publishing warnings which are being issued to drivers of vehicles and the general public on how to avoid street accidents, and the recent "Keep to the Left" campaign may ultimately have a beneficial effect, although a certain amount of confusion resulted during the first few days. These street campaigns appear to be carried out with success in America, as in Baltimore, U.S.A., in June, 1922, a "No Accident Week" was inaugurated, and as a result the number of street accidents during that week was greatly

reduced ; one of the contentions of the authorities being that any population can keep from getting hurt if it is sufficiently interested.

Improve-  
ment of  
main roads.

It is a well-known fact that the main roads entering London are not sufficient, and even those we have are not wide enough to accommodate with reasonable safety the numerous vehicles in use at the present time. That heavy motor traffic is likely to increase in the near future is another factor to be considered, and the authorities appear to be at last recognising the fact by the construction of several new arterial roads into the Metropolis. From an Insurance point of view, not only are we concerned with the Metropolis, but outside London the roads are equally dangerous on account of the fast-moving motor traffic, and it is felt that improvements might be carried out by erecting rests in the centre of the roadway for pedestrians, or the construction of underground subways at dangerous points.

Benefit  
derived  
from opera-  
tion of  
National  
Health  
Insurance  
Act.

According to the Annual Report of the C.M.O., under the Ministry of Health, although great gains have been made in the health of the nation, there remains a serious amount of preventable sickness and avoidable disablement. There is also a large amount of disability and trivial sickness, much of which is neglected, and thus leads to more serious conditions. We are, however, more concerned with the health of the nation as a whole, and there is no doubt that the operation of the National Health Insurance Act will tend to improve the health of the community. Some of the chief duties of the authorities under this Act include sanitation, control of epidemics and preventive medicines. Tuberculosis is another most important subject receiving special consideration. Treatment is provided whether or not the patient is an insured person within the meaning of the Act. It may not be generally known that Public Health Authorities had power under the Public Health Act to spend monies for the treatment of tuberculosis, but such a course does not appear to have been taken until the passing of

the National Health Insurance Act, which gave the Insurance Committees power to act, which was soon taken advantage of, the cost in turn being passed on the the Public Authorities. That the treatment is beneficial is proved by experience, as for the past few years there has been a considerable drop in the number of cases notified, and comparing the year 1917 with 1920 the number of deaths was reduced by more than 17,000.

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## CONCLUSION.

Assuming, therefore, that the risk of accident can be reduced by the above methods and that the sickness risk can also be improved by the Medical Profession and Public Health Authorities, the Insurance Companies should ultimately benefit, although an improved claims cost would probably result in a reduction in the premiums charged.





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